



Why Medical Marijuana Might Be a Better Investment Than Recreational Pot

Description

Marijuana legalization is set to take place next summer, which could be a great opportunity to lock in a position now before we see pot stocks take off even further. However, one important question that investors should consider is whether to invest in recreational pot stocks or medicinal ones.

Growth potential could vary depending on the segment

Recreational pot [is all the hype](#) with stocks like **Aphria Inc** (TSX:APH) and **Aurora Cannabis Inc** (TSX:ACB) recently seeing their share prices double. Although growth is expected to be very strong for recreational pot, there are significant challenges that could hinder this growth.

The [big assumption](#) is that existing pot users who currently buy weed from the industry's black market will now simply purchase it from licensed suppliers instead. It's rather ironic, to say the least, that a pot user will now buy from the very government that once imprisoned many users for possessing and using the drug.

Although the government has now turned the corner and is welcoming pot with open arms, even if the black market disappears and users buy from approved vendors, there could still be unintended consequences of widespread drug use that could be problematic.

For instance, we should consider what impact consumption will have on such things as impaired driving and addiction, and the workplace. These are all serious issues that could make the government think twice.

Investors shouldn't forget that if the power shifts back to the conservatives in the next federal election, then all bets are off and we could see many more restrictions on marijuana, which could then undermine any potential growth in the industry.

Medical marijuana may have stronger prospects for growth

MedReleaf Corp (TSX:LEAF) focuses on marijuana for medicinal purposes, and although this doesn't generate as much excitement as recreational pot does, it might present greater opportunities for

growth.

The World Health Organization (WHO), recently released a report stating that cannabidiol (CBD), which is the key chemical found in medical marijuana, “exhibits no effects indicative of any abuse or dependence potential.” This is contrast to tetrahydrocannabinol (THC), which is found in pot used for recreational purposes to give users a high.

The WHO also went a step further, stating that “CBD has been demonstrated as an effective treatment of epilepsy in several clinical trials.” The organization is expected to release another report in May, which will provide a more complete review of CBD.

A strong endorsement from the WHO could see medical marijuana stocks take off and lead to wider use of the product, especially from patients seeking effective pain relief without the danger of addiction.

Why this matters to investors

Medical marijuana presents significant potential for growth. Unlike recreational pot, however, it doesn’t possess the same risks that are associated with getting high. Over the long term, medical marijuana could see tremendous growth and generate significant returns for investors.

In the past year, MedReleaf has seen its revenues more than double, and unlike many recreational pot stocks, it has seen its bottom line grow as well. In 2017, the company’s profit of \$11 million made up more than 27% of MedReleaf’s top line. This would prove an impressive margin by any standard.

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